

Small Business Development in Native American Communities:
Is the Federal government meeting its obligations?

U.S. Senate
Senate Committee on Small Business and Entrepreneurship and
Senate Committee on Indian Affairs

Written Statement

Senator Tim Johnson

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I would like to thank Senator Wellstone and Senator Inouye for Chairing today's hearing and for their support of S. 2335; the Native American Small Business Development Act. I was pleased to introduce this important legislation last week, along with Senator Kerry, and appreciate the opportunity to discuss its objectives, as well as the serious economic problems facing Native American communities and families.

I would like to thank Congressman Udall for his leadership in the U.S. House of Representatives to bring these issues to the forefront and for his cooperation on this historic legislation.

Native American communities continue to struggle with the social, economic, and cultural repercussions derived from persistent and pervasive poverty and unemployment. A recent report released by the U.S. Census Bureau, entitled Poverty in the United States: 2000, indicates that the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent. Higher than for any other race groups."

Too many Native American communities are plagued by feelings of hopelessness and helplessness. We must work to transform this disappointment and discouragement into a sensible, workable, strategy for economic opportunity.

While most Americans can look forward to continued prosperity during 2002, the approximately 2.7 million Native American people living in the United States will not. It is essential that Native American concerns are provided adequate consideration.

The Native American Small Business Development Act is a deliberate effort to enhance the availability of technical assistance to support entrepreneurship in Indian Country. The communities served by this initiative represent some of the most traditionally isolated, disadvantaged, and underserved populations in our country.

Consider the following statistics. According to U.S. Department of Commerce census data, unemployment rates on Indian Lands in the continental United States range up to 80 percent compared to 5.6 percent for the U.S. as a whole. Census data also show that the poverty rate for Native Americans during the late 1990s was 26 percent, compared to the national average of 12 percent. In fact, overall, Native American household income is only three-quarters of the national average.

This disparity is particularly evident in my home state of South Dakota where Native Americans represent over 8 percent of the state's population. While the overall state economy is relatively strong with a low 3.1 percent unemployment rate, the Native American population continues to suffer. South Dakota counties with Indian Reservations are ranked by the U.S. Census Bureau as among the most impoverished in the United States.

This month, The Wall Street Journal ran an article that focuses, in part, on the toll of poverty for the Oglala Sioux living on the Pine Ridge Indian Reservation. The article notes that:

Nearly half the tribe's population is destitute. The unemployment rate is about 75 percent. There is no bank, no motel, no movie theater. Restaurants open and close down before anyone notices. . . .

We can not eliminate poverty until we combat unemployment, and we can not address unemployment without promoting sustainable business practices to create jobs. Without adequate assistance for entrepreneurs, the economic limitations facing Native American communities will persist.

Due to the unique and persistent challenges to business development in these areas, the proposed legislation establishes a statutory Office of Native American Affairs (ONAA) at the Small Business Administration. The Office will serve as an advocate in the SBA for the interests of Native Americans. In addition to administering the Native American Development Program, the Assistant Administrator will consult with Tribal Colleges, Tribal Governments, Alaska Native Corporations and Native Hawaiian Organizations to enhance the development and implementation of culturally specific approaches to support the growth and prosperity of Native American small businesses.

Unique and specific approaches must be recognized and implemented in order to overcome the barriers which stifle small business ownership by Native Americans.

Among the achievements included in the bill is the establishment of the Native American Development Program to provide necessary business development assistance. The program will work to establish and maintain Native American Business Centers to provide business planning, marketing services, and management assistance to support entrepreneurship. These services are vital to establish and support small businesses. The federal government currently invests to provide business services in communities throughout the country. It is past time for these services to be integrated into our efforts to promote self-sufficiency and economic development in Indian Country.

In addition, we recognize that in order to remain competitive, businesses and entrepreneurs must be innovative and flexible to change. This legislation reflects the needs of businesses, tribes, and regional interests to pursue unique approaches that will complement local needs and improve the overall quality of services. Two pilot programs are integrated in this approach to promote new and creative solutions to assist American Indians to awaken economic opportunities in their communities.

We must strive to eliminate the impediments that restrain Native American entrepreneurs. By providing business planning services and technical assistance to potential and existing small businesses, we can unlock the capacity for individuals and families to pursue their dreams of business ownership. Not only will these efforts combat poverty and unemployment, but they will bring new services and opportunities to communities that enhance the quality of life for local families.

The problems that face Native American communities are complex. This legislation is not a panacea, which will by itself remedy all the economic hardships faced by Tribal communities. It is, however, an integral component to foster opportunities for individuals, families, and entire communities to achieve success in their pursuit of economic growth.

To complement the initiatives brought forth in this legislation, we also must work to improve access to investment capital to support economic and community development for Native Americans. As the Chairman of the Senate Banking Financial Institutions Subcommittee, I am conducting hearings to identify opportunities and techniques which may foster greater access to capital markets for Tribal and Native American entities.

The lack of access to investment capital in Native American communities significantly contributes to the inability to invest in businesses, services, and economic development. However, providing investment capital alone, without the supportive services necessary to fully and successfully utilize those funds, may be inadequate and ultimately unsuccessful.

The business planning and technical assistance included in the Native American Small Business Development Act is essential to provide the infrastructure and support necessary to maximize impact and success of local ventures and investments.

Together, these initiatives will help to turn an important corner as we endeavor to enhance the livelihood of the First Americans.

I greatly appreciate the consideration and cooperation of the Committee Chairmen and the Committee Members to examine these issues and to work to tackle the difficult and persistent economic challenges that face Native American Communities. I am confident that, provided the adequate tools and necessary support, Native American entrepreneurs will succeed in creating new jobs, providing new services, and securing a higher quality of life for their families and communities.